

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

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TO SECSTATE WASHDC 6971

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

USMISSION OECD PARIS

C O N F I D E N T I A L TOKYO 12281

E.O. 11652: GDS

TAGS: ENRG, ETRD, JA, SA

SUBJ: JAPANESE INVESTMENT PLANS IN SAUDI ARABIA

SUMMARY: MITSUBISHI GROUP HAS CONCLUDED LETTERS OF INTENT WITH PETROMIN FOR JOINT FEASIBILITY STUDIES OF METHANOL PLANT AND PETROCHEMICAL COMPLEX IN SAUDI ARABIA. ACCORDING MITSUBISHI, IF RESULTS SATISFACTORY, PETROMIN AND MITSUBISHI WILL EACH INVEST ABOUT \$400 MILLION IN NEW FACILITIES, WHICH WILL UTILIZE SAUDI NATURAL GAS. MITSUBISHI IS IN CLOSE CONTACT WITH EXXON ON THESE PROJECTS, AS WELL AS POSSIBLE CONSTRUCTION OF LNG PLANT IN SAUDI ARABIA. END SUMMARY.

1. REPRESENTATIVES OF MITSUBISHI GROUP AND PETROMIN PRESIDENT TAHER RECENTLY MET IN SAN FRANCISCO TO CONCLUDE AGREEMENTS FOR JOINT FEASIBILITY STUDIES ON METHANOL PLANT AND LARGER PETOCHEMICAL COMPLEX WHICH MAY BE BUILT IN SAUDI ARABIA. PLANS CALL FOR STUDY OF 10,000 TON PER DAY CAPACITY
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METHANOL PLANT, AND RELATED PETROCHEMICAL FACILITIES PROB-

ABLY INCLUDING 500,000 TON/YR CAPACITY ETHYLENE PLANT.
BOTH METHANOL PLANT AND PETROCHEMICAL FACILITIES DESIGNED
TO UTILIZE NATURAL GAS AVAILABLE IN SAUDI ARABIA.

2. EMBOFF MET SEPT 19 WITH FUJIOKA, SECTION HEAD WITHIN MITSUBISHI CORP'S GAS AND CARBON DEPARTMENT (WHO WAS MEMBER OF GROUP THAT WENT TO SAN FRANCISO), TO DISCUSS MITSUBISHI'S PLANS. FUJIOKA EXPLAINED THAT LETTERS OF INTENT FOR FEASIBILITY STUDIES ON BOTH PROJECTS HAD ACTUALLY BEEN SIGNED ON JUNE 19; HOWEVER, LETTERS HAD BEEN KEPT CONFIDENTIAL UNTIL STAFFS ON BOTH SIDES HAD HAD OPPORTUNITY TO DISCUSS DETAILS. ACCORDING TO FUJIOKA, CHOICE OF POSSIBLE CONSULTANTS FOR PETROCHEMICAL COMPLEX NOW NARROWED TO TWO US FIRMS, LOOMIS AND KELLOGG. FUJIOKA SAID HE HOPED THAT SELECTION WOULD BE MADE SHORTLY, SO THAT STUDY ON PETROCHEMICAL COMPLEX COULD BE CONCLUDED BY AUGUST 1974. FEASIBILITY STUDY OF METHANOL PLANT, WHICH ACCORDING FUJIOKA IS MUCH LESS COMPLICATED UNDER-TAKING, WILL NOT BEGIN UNTIL MARCH OR APRIL 1974. BOTH FEASIBILITY STUDIES WILL BE FINANCED 50-50 BY PETROMIN AND MITSUBISHI.

3. FUJIOKA SAID THAT TOTAL INVESTMENT CONTEMPLATED IN TWO PROJECTS WAS ABOUT \$800 MILLION OR \$400 MILLION EACH BY JAPANESE FIRMS AND PETROMIN. PETROMIN HAS RESERVED RIGHT TO MARKET AS MUCH AS IT DESIRES OF OUTPUT OF PETROCHEMICAL AND METHANOL FACILITIES WITHIN SAUDI ARABIA. MITSUBISHI IS COMMITTED TO PURCHASING REMAINDER OF PRODUCTION.

4. IN CONFIDENTIAL ASIDE, FUJIOKA ADDED THAT MITSUBISHI NOT REALLY INTERESTED IN METHANOL PLANT ASPECT OF DEAL. MITSUBISHI HAD ORIGINALLY PROPOSED FEASIBILITY STUDY COVERING JOINT VENTURE LNG PLANT TO PETROMIN. THIS SUGGESTION WAS REJECTED ON GROUNDS THAT PETROMIN COMMITTED TO EXCLUSIVE DEALING WITH ARAMCO ON LNG. FUJIOKA ADDED HOWEVER THAT "FRIENDS IN PETROMIN" HAD SUGGESTED THAT MITSUBISHI PROCEED WITH ITS OWN INDEPENDENTLY FINANCED FEASIBILITY STUDY ON AN LNG PLANT. IF MITSUBISHI COULD SHOW THAT LNG PLANT MORE ATTRACTIVE TO SAUDIS THAN METHANOL PLANT, DECISION MIGHT BE RECONSIDERED. MITSUBISHI APPARENTLY INTENDS TO DO THIS.

5. FUJIOKA EMPHASIZED THAT MITSUBISHI CLOSELY COOPERATING WITH EXXON IN THESE JOINT VENTURES, AND MITSUBISHI GROUP HAD MET WITH EXXON OFFICIALS IN NEW YORK BEFORE GOING TO SAN FRANCISCO TO MEET WITH PETROMIN. ADDED THAT MITSUBISHI GROUP AND EXXON HAD FOR SOME TIME BEEN EXCHANGING INFORMATION ON UTILIZATION OF NATURAL GAS RESOURCES IN

SAUDI ARABIA.

6. FUJIOKA ALSO SAID HE UNDERSTOOD THAT HOUSTON GAS HAD
SIGNED LETTER OF INTENT WITH SAUDIS FOR AN ADDITIONAL
METHANOL PLANT.
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